

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 AGR-05 PA-01 PRS-01 L-03 /106 W

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R 151645Z JUL 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 358

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY PARIS

USMISSION GENEVA

AMEMBASSY BONN

AMEMBSSY ROME

AMEMBASSY LONDON

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E.O.11652: N/A

TAGS: EAGR, BR

SUBJECT: MARKETING OF BRAZILIAN SOYBEAN CROP

PASS AGRICULTURE

1. SUMMARY: THE MARKETING OF THE BRAZILIAN 1975  
SOYBEAN CROP MAY BE INFLUENCED AT LEAST AS MUCH BY  
POLITICAL AS BY RATIONAL MARKET CONSIDERATIONS.

2. BRAZIL'S OBJECTIVE TO MEET EXPORT TARGETS OF 3.8  
MILLION TONS OF SOYBEANS, 2.9 MILLION TONS OF MEAL  
AND 280,000 TONS OF OIL AT PROFITABLE PRICES MAY  
RUN INTO TROUBLE, UNLESS ADVERSE WEATHER CONDITIONS  
WOULD DEVELOP IN THE US BETWEEN NOW AND HARVEST  
TIME.

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3. REGISTRATIONS FOR EXPORT WITH CACEX:

BEANS: PERIOD JAN. 1 - JULY 3: 1,430,000 MT

ACTUAL EXPORT JAN. 1 - MAY 31: 800,069 MT

AVERAGE PRICE \$ \$205 PER TON (US) FOB.

MEAL: ACTUAL EXPORT JAN. 1 - MAY 31: 994,000 MT

AVERAGE PRICE - \$160 (SS) PER TON FOB.

JUNE EXPORT FIGURES AVAILABLE NEXT WEEK.

4. AGMIN PAULINELLI, HAVING GUESSED WRONG LAST YEAR AND INTENT FROM THE BEGINNING OF THIS YEAR ON SPACING OUT BRAZILIAN SALES IN EXPECTATION OF EVENTUAL PRICE RISE FROM RECENT LOWLEVELS, COMMITTED GOB EARLY THIS YEAR TO GUARANTEE FARMERS A MINIMUM PRICE OF CR\$60 PER 60 KILOS. THESE MINIMUM PRICES AIMED AT STIMULATING INCREASED SOYBEAN PRODUCTION IN 1976, BUT ALSO WHEAT PRODUCTION SINCE WHEAT AND SOYA DOUBLE CROPPED AND TOTAL INCOME FROM BOTH CROPS ALWAYS HAS TO BE CONSIDERED.

5. TO STRENGTHEN THE MARKET AND BUTTRESS FARMERS' CONFIDENCE, PAULINELLI HAS NOW BEGUN TO EXCUTE EARLIER ANNOUNCED INTENTION TO HAVE GOVERNMENT BUY 1 MILLION TONS OF BEANS, WITH COBEC (BRAZIL'S GOVERNMENT FOOD TRADING COMPANY) AS PURCHASING AGENT. BANCO DO BRASIL ON JULY 9 WAS AUTHORIZED TO FINANCE THESE 1 MILLION TONS AT CR\$75, PER 60 KILO BAG, WITH OPTION FOR FARMERS TO REDEEM THE LOANS NO LATER THAN NOVEMBER 30. HOWEVER, IT SEEMS THAT CENTRAL BANK AND BANCO DO BRASIL ARE STANDING FIRM AGAINST ALLOWING ADDITIONAL PURCHASES ABOVE CR\$60 FROM FARMERS UNDER ANY CIRCUMSTANCES.

6. MEANWHILE BRAZILIAN FARMERS ARE STILL HOPING FOR RECURRENCE OF LAST YEAR'S PRICE DEVELOPMENTS IN WORLD SOYMARKET AND HOLDING BACK THEIR BEANS. RECENT STRENGTHENING OF CHICAGO MARKET ONLY ENCOURAGES THEM. THIS ATTITUDE ALSO CAUSED BY WISHFUL THINKING IN FARM PRESS AND BY CERTAIN LEADERS OF COOPERATIVES WHO SPECULATE ON ANOTHER BAD CROP IN US IF 1974 LIMITED OFFICIAL USE

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DROUGHT OR EARLY FROST REPEAT THEMSELVES IN 1975.

7. ACCORDING TO TRADERS AND THE FARM PRESS, THE POWERFUL SOY-COOP FECOTRIGO INFORMED FARMERS THAT THEIR FOUR CROPWATCHERS CURRENTLY ROAMING THROUGH SOY AREAS IN THE US HAD CONCLUDED THAT USDA CROP ESTIMATES WERE INFLATED FOR PURPOSE OF DOING HARM TO BRAZILIAN EXPORTS.

8. AT SAME TIME, THE LIKEWISE POWERFUL SOY-COOP COTRIJUI IS BEARISH AND ANNOYED BY PRESENT GOVERNMENT POLICY AND BY THE ATTITUDE OF FECOTRIGO OF WHICH IT IS A MEMBER. NEVERTHELESS, THE MISTAKEN IDEA THAT BRAZIL CAN SHAPE THE WORLD MARKET FOR SOYBEANS IS STILL COMMON AMONG FARMERS.

9. PAULINELLI'S COMMITMENT TO FARMERS AND COOPS IS INSPIRED BY HIS POLICY TO MAKE BRAZIL SELF-SUFFICIENT IN WHEAT AND AT THE SAME TIME EXPAND SOYBEAN PRODUCTION. THIS STRATEGY, HOWEVER, INVOLVES SERIOUS RISK IN NEGLECTING THE DANGER TO BRAZIL OF EVENTUALLY HAVING TO MOVE ITS BEANS INTO WORLD MARKETS AT PRICES MUCH LOWER THAN TODAY'S LEVELS AND CONCEIVABLY AT A TIME WHEN NO FURTHER ROOM IS LEFT FOR DOUBT ABOUT HUGE 1975 US SOYBEAN CROP COMING TO MARKET, AS WELL AS FURTHER CARRY OVER STOCKS.

10. THE MULTINATIONALS MEANWHILE, FACED WITH BOB'S FAVORITISM TO COOPERATIVES, AND ALSO WITH LOSS OF PREMIUMS ON BRAZILIAN BEANS COMPARED TO US BEANS ON BOARD OF TRADE FLOOR (CHICAGO), SEEM TO BE LOSING INTEREST IN PUSHING THIS YEAR'S EXPORT OF BRAZIL'S SOY PRODUCTS.

1. THERE IS THE POSSIBILITY IN ALL THIS THAT A COLLAPSE OF THE PRESENT MINAG STRATEGY WOULD LEAD TO THE CREATION OF A GOVERNMENT INSTITUTE FOR SOYBEANS LIKE THOSE ALREADY EXISTING IN SUGAR AND COFFEE. IF THIS POSSIBILITY WERE TO BE REALIZED, THE POTENTIAL FOR MISCHIEF IN THE WORLD MARKET WOULD BE CONSIDERABLE.

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12. FROM DISCUSSION AGATT HAD WITH MINAG AND EXPORTERS, IT SEEMS IMPROBABLY THAT MINAG WILL FACE REALITIES IN TIMELY FASHION AND PUSH EARLY SOY EXPORTS. PAULINELLI SEEMS TO DEEPLY COMMITTED TO ORIGINAL COURSE COSEN TO BE ABLE NOW TO CHANGE WITHOUT POLITICAL CONSEQUENCES HARMFUL TO HIS OWN POSITION (ALTHOUGH THE VERY SUBSTANTIAL RISKS TO HIM OF THE FAILURE OF HIGH STRATEGY MUST OPERATE ALSO). HE APPEARS TO BELIEVE IT WILL BE POSSIBLE TO UNLOAD BRAZIL'S EXPORTABLE SURPLUS BEFORE THE EXPECTED LARGE US SOY CROP ADVERSELY INFLUENCES WORLD MARKET PRICES. CRIMMINS

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Margaret P. Grafeld  
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06 JUL 2006

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